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# FOREIGN POLICY BULLETIN

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## BIG THREE SUPPORT TREND TOWARD STABILITY IN EUROPE

THERE is growing danger that the maze of procedural technicalities connected with the presentation of the Dumbarton Oaks proposals to the San Francisco conference will obscure, in this country, the forces that are shaping post-war Europe and, most of all, the human fears, passions and desires which are the stuff and substance of relations between nations. For no matter how elaborate and well-intentioned may be the Charter of the United Nations now in the making, it will prove a dead letter unless the day-to-day actions of the Big Three allay the anxieties and encourage the hopes stirring among the ruins of Europe.

**MONARCHY IN SPAIN?** It would be dangerous to generalize about conditions on the continent from the meager indications that can be gleaned from censored news—but a few main trends may be detected. First, and most obvious, is the recognition by neutral countries, in some cases delayed beyond the zero hour, that Germany has been defeated. The most striking evidence of this trend is the sudden concern expressed by the Falange press in Spain about the atrocities perpetrated by the Japanese against Spanish citizens in the Philippines. While it would be awkward, to say the least, for Franco to justify a last-minute attack on Germany, whose totalitarian régime he has labored to copy, he may hope that verbal denunciation of Japan would impose no military burdens on Spain and might secure for that country a place in the ranks of the United Nations and a seat at the peace table. It seems doubtful, however, that Franco's hopes in this respect will be realized. The United States and Britain have perforce had to work with Franco during the grueling years when a German thrust through Spain would have endangered Allied operations in North Africa and the Mediterranean. But it is no secret that the Churchill government would like to see monarchy re-

place the Franco dictatorship as soon as conditions permit. A bid for restoration of the monarchy was made by Prince Juan, son of the late King Alfonso XII, in a proclamation released on March 22, in which he declared that Franco's domestic and foreign policies were contrary to the traditions of Spain, and warned that another civil war was impending unless the General surrendered his power. However, Spaniards in exile in France and Mexico hope to reestablish a republican régime after the war by peaceful means, for reports from Spain indicate reluctance on the part of the people to face the horrors of another civil war.

**EASTERN EUROPE IN TRANSITION.** While the trend of events, not only in Spain but in liberated areas of Western Europe, appears to be in favor of stabilization, with emphasis on orderly reform rather than revolution, the countries in Eastern Europe, freed from Nazi rule, are struggling through a transition period, in some cases marked by violence, as they seek to preserve a measure of independence without at the same time antagonizing Russia. President Benes of Czechoslovakia, who arrived in Moscow on March 18 on his way to Kosice where he plans to set up his government pending the liberation of Prague, appears to have good prospects for stability at home and friendly relations with the U.S.S.R. His most important immediate task is to satisfy the desire of Slovaks for a status of equality with the Czechs in liberated post-war Czechoslovakia.

In Rumania Premier Groza, representing the National Democratic front which includes Communists, took office on March 7, following the ouster of General Radescu, who had been criticized by some Rumanians, as well as by Moscow, for delaying punitive action against pro-German elements. Groza's position was promptly strengthened on March 9, when Stalin authorized the reincorporation into Ru-

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mania, as provided by the Allied-Rumanian armistice, of the province of Transylvania, previously granted by Hitler to Hungary. Russia's intervention in Rumania, which brought about inquiries by Britain and the United States, was justified by the Soviet government on the ground of military necessity—a justification frequently invoked by London and Washington. In Rumania, as in Hungary and Poland, the chief item on the domestic agenda is agrarian reform, involving the distribution of large estates among the peasants. Such reform has long been favored by peasant leaders in all three countries, and was partly effected, notably in Poland, after World War I—but complaints frequently had been made that the process of land distribution was unduly slow, and that the economic position of great landowners, and hence their political influence, had remained undisturbed. Premier Groza, however, has sought to allay fears of a far-reaching economic revolution by stating that industrialists, businessmen and bankers are needed for the reconstruction of Rumania, and will not be placed in the category of war criminals.

In Finland the elections of March 17 and 18—the first general elections held in Europe since the outbreak of war—revealed a slight trend to the Left, as the Popular Democratic coalition, which includes Communists, won 51 out of 200 seats in the unicameral Legislature, largely at the expense of the Social Democratic and Agrarian parties. Considering, however, the proximity of Russia, which made no pretense of disinterest in what happened at the polls, the Finnish elections indicate a tendency to settle down to a middle course, which may become evident in other countries as they emerge from the chaos of war and civil struggle.

## OPPONENTS OF MONETARY FUND PURSUE DELAYING TACTICS

A feeling in some quarters that Congressional action on the Bretton Woods monetary proposals must be delayed has resulted from the objections offered to the plans in the House Banking and Currency Committee since hearings were first begun on March 6. The principal criticisms have come from the American Bankers Association, which has suggested that the International Monetary Fund be dropped and that the International Bank for Reconstruction and Development be charged with the function of exchange stabilization as well as capital investment in the post-war period. Other business groups, including the Committee for Economic Development and the Chamber of Commerce of the United States, have also offered testimony before the Committee proposing that the function and organization of the Monetary Fund be reviewed. The National Foreign Trade Council favors the adoption of the Bretton Woods monetary proposals, although certain reser-

Americans who fear Russia's encroachments on Eastern Europe and the Balkans may ask whether the Soviet government will permit any country along its border to follow a middle-of-the-road course, and will not instead insist on thoroughgoing revolution. Predictions are always dangerous. But the Soviet government has shown greater concern about public opinion in the Western world than could have been anticipated after a quarter of century of deep-seated mutual distrust and fear; and to the extent that distrust and fear are gradually dispelled on both sides, it may be expected that Russia will accept, not discourage, the stabilization of Europe. There is no doubt whatever that Russia is intervening in the affairs of nations whose geographical position affects the security of its territory—but Britain and the United States, too, have shown an active interest in the internal affairs of countries which, in their opinion, affect their security.

All three great powers, in varying degrees and by different methods, are trying to steer Europe in a direction favorable to their interests. All three are beginning to realize that, while European nations welcome the aid of the non-European powers in their liberation and recovery from war, they have not lost their identity, and will not permit domination by their great Allies any more than they permitted domination by Hitler. Europe, fortunately, in spite of its terrible sufferings and losses, is not dead. It is in the interest of the United States, Britain and Russia that it should revive as soon as possible—and revive under such conditions that it will look hopefully to voluntary collaboration with the Big Three.

VERA MICHELES DEAN

*(The first of a series of articles on political trends in Europe on the eve of San Francisco.)*

vations were advanced by individual members of that group. It is to be noted, however, that the CED statement does not ask for complete abolition of the Fund, and all banking groups have not concurred with the ABA report.

**ADOPTION NOW OR NEVER?** Certain press reports suggest that Administration officials are now less insistent on speedy Congressional action and some opinion in the Senate indicates that a final decision on the Bretton Woods agreement may not be taken until after the United Nations conference has begun at San Francisco. Many proponents of the Monetary Fund and the World Bank, both in testimony before the House Committee and in the press, have intimated that the Bretton Woods agreement must be approved in substantially its present form or no institutions for post-war economic collaboration can be established. It must be appreciated, however, that they have been forced to take this extreme

stand largely because those who have opposed the Fund have also characterized it in extreme fashion.

Some critics have suggested that the Fund would, in fact, constitute an economic superstate. Yet this argument is contradictory to the other criticisms offered. For although the Fund gives little authority to its directors in forcing member nations to alter their internal monetary policies, certain groups that favor delay in considering the Bretton Woods plan have declared that the Economic and Social Council of the United Nations Organization envisaged under the Dumbarton Oaks agreement should have power to pass on the establishment of the Fund and Bank. In view of such opposition, is it reasonable to assume that those who oppose the Fund or Bank intend that the new Economic Council shall have authority greater than that now proposed under the Bretton Woods plan? Candid opinion can hardly avoid asking whether suggestion for delay on the Bretton Woods agreement is not a method whereby its adoption may be jeopardized in much the same manner as was the League of Nations in 1920, after Senate reservations were attached to acceptance of the Covenant by the United States.

**AMERICAN RESPONSIBILITIES.** Treasury officials and others have pointed out the difficulties which would be involved in drafting a new agreement. While in no way minimizing the results of the July conference at Bretton Woods last year, where the financial experts of 44 nations produced the present plan, no one can object to the most careful Congressional scrutiny and further public debate on these proposals. Nor would it be a complete disaster were it necessary to call the United Nations into conference again in order to redraft the whole agreement or any part of it. It must remain a question, however, whether those interests now critical of the

Fund are opposed to its purposes or to technical provisions which could be ironed out in the course of experience once the new institution was established. This procedural difficulty is largely of importance because it masks more fundamental questions, and has thus caused public debate about the issue of delay.

The Bretton Woods plan represents, of course, a compromise with other nations, many of which—under unorthodox economic views—are less interested than we are in the mechanisms of monetary relations, but more concerned over the maintenance of a high level of economic activity. This is particularly true of Great Britain, now embarked officially on a policy designed to create and sustain full employment. This should be no less true of the United States and, if delay in adopting the Bretton Woods agreement served to broaden the discussion of America's economic problems—both on the part of Congress and of private groups—then the delay would be wholly beneficial.

Critics of the Bretton Woods plan have pointed out that other factors—tariff problems, sterling balances, employment possibilities and world political security—will all greatly affect the desirability or even feasibility of establishing such a Monetary Fund. This is true beyond doubt. What is not so clear, however, is whether the present discussion of priority regarding adoption of monetary plans will not contribute to inaction on these other problems. Congress must eventually deal with both political and economic agreements of diverse character, but above all with the creation of an expanding economy within the United States. Due to the predominant world influence of American economic strength this decision cannot be delayed much longer.

Were an American policy of full employment assured, there would be less interest in the precise technical details of monetary stabilization either in this country or abroad. Then it would be more feasible to reduce American tariffs, expand our imports as well as our exports, and enter fully into the operations of the Monetary Fund and the Bank for Reconstruction and Development. Should the United States pursue such policies and enter these institutions, other nations—which are closely watching the American Congress in this instance—would then know that we are vitally interested in an expanding world economy which can become a real foundation stone for world political security.

GRANT S. MCCLELLAN

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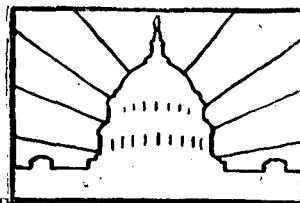
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# Washington News Letter



## NEUTRALS INCREASE AID TO ALLIES AS GERMAN DEFEAT IMPENDS

The neutrals pose a difficult problem for the governments whose delegates are to assemble in San Francisco on April 25 and draw up a charter for a world security conference. "Membership in the Organization should be open to all peace-loving states," says Chapter III of the Dumbarton Oaks proposals. But only members of the United Nations have received invitations to San Francisco.

**MOVES BY SWITZERLAND AND SWEDEN.** The Dumbarton Oaks plan calls for abstention from the giving of "assistance to any state against which preventive or enforcement action is being undertaken by the Organization." In recent days the two democratic neutrals on the European continent, Sweden and Switzerland, have given demonstrations of friendliness toward the Allies which practically amount to acquiescence in the non-assistance principle. The Swiss, on March 8, signed an agreement with the United States, Britain and France which ends their country's usefulness to the Germans. They undertook to forbid shipments of coal through Switzerland's tunnels to northern Italy, controlled by the German armies; to cease exports of electrical power to Germany; to freeze German assets in Switzerland and assets held by Swiss for Germans; and to reduce to a dribble Swiss purchases of gold from Germany. Five days later the Swiss declined to renew their trade pact with Germany.

In addition, that country gave assurance to the Allies last August that it would surrender war criminals. There are several hundred Italian fascist officials in Switzerland—among them Count Giuseppi Volti, formerly Mussolini's Minister of Finance—and difficulties may confront that country when the Allies request it to make good its pledge. But the temper of the Swiss people as well as the policy of the Swiss government is unfriendly to the Axis and its agents, despite the fact that they have suffered occasional accidental bombings of Swiss towns by Allied planes, such as those of March 4, when Zurich and Berne were hit. Zurich not long ago refused permission to Dr. Wilhelm Furtwaengler to conduct concerts, and when he gave a performance in the small Swiss town of Winterthur, the police had to protect him from the crowds.

Sweden has gradually reduced its trade with Germany to the point where it is negligible, and at the same time has assumed budget-straining obligations of assistance toward the economically depressed re-

gions of Europe. From its limited stocks of foodstuffs, Sweden has sent 10,000 tons of edibles to German-occupied Netherlands, where the population in some instances is subsisting on 630 calories of food a day. A second shipment is about to go forward. The Dutch distress arises from the failure of the Nazis, who realize their expulsion from Holland is inevitable, to provide food for a region that has never been self-sustaining, and from the Netherlands general strike, which has interfered with transportation within the German-occupied region.

**SWEDEN MAY FIGHT.** Since the outbreak of the war, the Swedish government has allotted 400,000,000 kronor (about \$100,000,000) for gifts to the populations of war-ravaged countries. On March 7 Finance Minister Ernst Wigforss presented a bill to the Riksdag that would add another 70,000,000 kronor by June 30, 1946 to this outlay for gifts. At the same time, he proposed the appropriation of 1,440,000,000 kronor to be lent for the rehabilitation of industry in neighboring European countries. The contribution of neutral capital toward reconstruction might in time be great, for it is doubtful whether the United States will be willing to undertake the whole task of providing funds to make possible European recovery from the destruction of the war. The Wigforss credit bill would bring to the equivalent of \$625,000,000 the amount which Sweden has made available in loans to other states during the war. Sweden, whose first interest is its immediate neighbors, intends to lend \$50,000,000 to Norway and to help replace ships lost from the Norwegian merchant fleet; \$30,000,000 to Finland; and \$18,750,000 to Denmark.

The Swiss and Swedish policies testify not only to their own Allied bias, but also to the declining influence of Germany, which lost its last effective propaganda weapon when the V-1 and V-2 bombs failed to change the course of the war. The Swedes, however, believe that the war may continue for many months, and there is a possibility that they may enter it if the Germans follow a scorched-earth policy in evacuating Norway. "A situation may arise in neighboring countries the consequences of which it is impossible to foresee," Defense Minister Per Edvin Sköld said on March 15, when he announced the purchase of 50 fighter planes, P-51s, from the United States.

BLAIR BOLLES

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